

Entrepreneurship

Unit 4: Utilizing Financial Documents

Student: _____ Date: _____ Period: _____

DECA Business Plan Format

Section I: Executive Summary

Section II: Analysis of Business Situation

Rationale and marketing research, Description of Business,
Self-analysis, Analysis of the business opportunity, customer
and location, and Proposed organization

Section III: Marketing and Promotional Plan

 **Section IV:** Financing Plan

Income Statements, Amortization, and Return on Investment

Section IV: Projecting Cash Flow for Business

1. A new business owner must be able to:

-
-

All of these items are found on an Income Statement—the final section of the business plan

2. An Income Statement is also known as a: _____

Income Statement Definition:

3. What are the differences between fixed and variable expenses?

- Fixed:
- Variable:

4. Start-up Costs

- The _____ expenses paid to establish a business. Many entrepreneurs have to _____ the money (friends, family, savings, partners, private investors, etc)

- Common costs include:

✓

✓

✓

✓

✓

✓

5. Costs of Goods Sold (COGS)

-
- Service-only businesses _____ have this type of expense.

6. Operating Expenses are expenses necessary to _____ a business.

Includes:	✓	✓
	✓	✓
	✓	✓

7. Gross & Net Income

- Gross Income:
- Net Income:

☞ These figures are _____. The taxes you pay are calculated using the Net Income amount.

8. Break-even Point

- The _____ that must be made to cover all the expenses of the business.

Your business' fixed costs are \$40,000 a year. Your selling price is \$3.50 per unit. Your variable cost is 95¢ per unit. How many units must you sell to break even?

9. A Balance Sheet is a:

10. What equation is the foundation of a Balance Sheet? _____ = _____ + _____

- Assets:
- Liabilities:
- Equity:

11. What parts of the Balance Sheet must equal each other?

Section IV: Identifying Sources of Capital (\$)

12. Define Collateral:

13. Identifying Sources of Capital

- Equity Capital:
- Equity:

14. Forms of Equity Financing

- ✓
- ✓
- ✓
- ✓
- ✓

15. Define the 5 C's of Credit to Qualify for a Loan

- Character:
- Capacity:
- Capital:

🗒️ **The net worth of a business**—the amount by which the assets of the business
_____ the liabilities

- Collateral:
- Conditions:

🗒️ **Lenders consider:** ✓
✓
✓
✓
✓

🗒️ Some lenders will require certain types of _____ to limit their risk

16. Obtaining a Loan

- Lenders that do not want an equity stake in your company, but are willing to loan you money for your business, will have you pay _____ on the amount borrowed.

- Define Interest:

- ✓ The original amount lent is called the _____.
- ✓ The percentage of the principal which must be paid _____ as interest is called the interest rate.

Section IV: Calculating Interest

17. What is the formula for Interest?

18. How much must be repaid for a loan with the following terms?

Principal (P) = \$50,000

Interest Rate (R) = 8%

Time (T) = 5 years

Section IV: Calculating Monthly Payment

19. Define Amortization:

20. Calculate the monthly payment for the loan in questions #14.

Section IV: Calculating Return on Investment

21. ROI means _____.

- A _____ of the money earned (or lost) on an investment to the amount of money invested.
- You need to determine your potential ROI _____ you start your business. If the return is too low, _____ with this business.
- Time is _____.

22. Calculating Return on Investment (ROI)

- Smart investors look for returns of _____ from a business.
- Calculate the ROI on an:
\$80,000 investment
10% yearly return (ROI)

23. Remember: Your _____ should work hard for you; not _____ work hard for your money.